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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

OCT 13 1992

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
Amendment of Parts 65 and 69 of )  
the Commission's Rules to Reform )  
the Interstate Rate of Return )  
Represcription and Enforcement )  
Process )

CC Docket No. 92-133

REPLY COMMENTS OF THE  
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association submits these Reply Comments in response to the comments filed on September 11, 1992, in the above-captioned docket. This Commission proceeding is examining changes to the interstate rate of return represcription and enforcement rules.<sup>1</sup> NTCA is a national association of approximately 480 small and rural LECs providing telecommunications services to interexchange carriers ("IXCs") and subscribers across rural America.

In its Comments, NTCA agreed that the Commission should continue to prescribe a unitary rate of return for interstate access. The practical and policy reasons that led to the prescription of a unitary return for the LEC industry continue to be relevant to the present and foreseeable future. The unitary

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<sup>1</sup> Notice of Proposed Rulemaking, FCC 92-256, released July 14, 1992, in CC Docket 92-133 ("Notice"). Unless otherwise indicated, all citations to comments are those filed in this docket on September 11, 1992.

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rate of return remains a cornerstone to the multi-issue balance achieved under the access plan as debated and decided in 1984 and 1986. The comments in this proceeding show the overwhelming support of the LEC industry and others for maintaining the unitary rate of return.

NTCA continues to believe that cost of capital data from the Bell operating companies should serve as a surrogate for the determination of the cost of capital for the entire LEC industry.<sup>2</sup> Similarly, the Bell companies' financial operating data should also be used to determine the LEC industry cost of debt as a component of the overall cost of capital.

Most of the commenting parties agree that the tariff review and complaint process are adequate mechanisms to enforce the rate of return rules. There is no need or justification for an automatic refund rule.

NTCA continues to believe that a represcription "trigger" mechanism has merit and should be considered. The trigger mechanism would mean that each succeeding prescription period may be of different duration than any other, and each period could last for a short time or many years. However, as the National

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<sup>2</sup> NTCA's use of the term Regional Holding Companies in its initial Comments was not intended to indicate that the Regional company level should be used instead of Bell operating company surrogates. NTCA at 4-5. The Comments were not intended to focus on the distinction between Regional and Operating companies. For the record, NTCA supports the use of Bell Operating Company data for the purpose of calculating a unitary rate of return. Bell operating company data would appear to be best suited for the intended use. NTCA agrees with most of the LEC industry that the Bell companies' data are preferable over that of the Regional companies. See, USTA at 58-70.

Exchange Carrier Association ("NECA") observes, the rate of return monitoring period should not be shorter than two years, and therefore, should not necessarily correspond to the represcription periods.<sup>3</sup>

A wider rate of return "buffer" zone is appropriate for smaller LECs and the NECA pool.<sup>4</sup> For similar reasons, the authorized rate of return should be prescribed for overall interstate operations for individual LECs and the NECA pools. Small carriers, by themselves, and the NECA pool comprised of many small LECs, are simply more volatile in their operations and accordingly are also more unpredictable.<sup>5</sup>

In agreement with NTCA, NECA concludes that any decision about NECA's role in data gathering and analysis must await further details of the data to be gathered and the extent of processing of that data.<sup>6</sup>

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<sup>3</sup> NECA at 12-14.

<sup>4</sup> See, NECA at 10-12.

<sup>5</sup> In the companion proceeding, CC Docket No. 92-135, NTCA has explained the characteristics of small LECs that lead to more volatile operating conditions. These LECs risk the loss of customers which can lead to large and unpredictable variance in demand from year to year. This variance is largely beyond the control of the LEC. Furthermore, the actual experience of the telephone operations conducted in a small geographic area will naturally be more volatile than that of large averaged geographic areas. See, NTCA Comments in CC Docket No. 92-135 filed August 28, 1992 at 3-7; and NTCA Reply Comments in CC Docket No. 92-135 filed on September 28, 1992 at 5-8.


<sup>6</sup> NECA at 5-6.

The LEC industry is in near agreement on the rate of return prescription proposals, and in any case, the views are essentially compatible with each other and with NTCA's positions. There is overwhelming support for the direction outlined by the LEC industry for reforming the rate of return rules. Moreover, a review of the comments does not reveal any strong objection to this direction. Therefore, the record developed by the filed comments should provide a clear picture for the Commission to move forward consistent with the industry's recommendations.


Respectfully submitted,

NATIONAL TELEPHONE COOPERATIVE  
ASSOCIATION

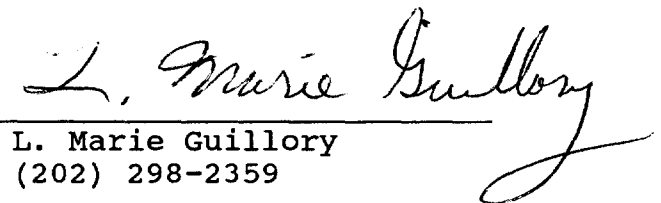
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